Matzikama Local Municipality

Credit Control and Debt Management

PROCEDURE MANUAL

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1. DEFINITIONS

Debt Collection is the execution of functions necessary to collect unpaid income of the municipality, owed by clients who are debtors.

Credit Control provides procedures and mechanisms to collect all the monies due and payable to the Municipality arising out of the supply of services and annual levies, in order to ensure financial sustainability and delivery of municipal services in the interest of the community

- To limit risk levels by means of effective management tools.
- To provide for restrictions, limitations, termination of services for non-payment.

Any word or expression –

- Imparting any gender or the neuter includes both genders and the neuter, or
- Imparting the singular only also includes the plural and vice versa, unless the context otherwise indicates.

Term	Definition
Accounts	The municipal account for services rendered and for assessment rates levied by the municipality.
Accounting Officer / Municipal Manager	A natural person appointed in terms of section 82 of the Local Government: Municipal Structures Act, No 117 of 1998, and being the head of administration and Accounting Officer in terms of section 55 of the Local Government: Municipal Systems Act 2000, No 32 of 2000.
Act	The Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003).
Arrears	Any amount due and payable excluding interest to the Municipality which has not been paid on or before the date of payment;
Basic Services	The amount or level of any municipal service that is necessary to ensure an acceptable and reasonable quality of life and which, if not provided, would endanger public health or safety of the environment and for the purposes of this Policy are restricted to the delivery of electricity, refuse, sewerage and water services.
Consumer/s	Individuals/Businesses/Entities to whom the municipality renders services
Councillor for Financial Matters	A member of the Municipal Council responsible for financial matters.

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Term	Definition
Credit Control	The process to manage and monitor usage and payment for services and limiting of further sales of services to debtors in arrears and the negotiation for payment in exchange for normalising furtherance of service delivery
Debt	The amount owed by a consumer to the Municipality for services rendered and property and other rates charged.
Debt Collection	The execution of functions necessary to collect unpaid income of the municipality, owed by clients who are debtors
Debtors	The individuals or legal entities classified as those who/that owe the municipality for services rendered or property and other rates charged
Defaulter	A person who owes money to the Municipality in respect of a municipal account after the due date for payment has expired
Due date	The date indicated on an the Municipality's account statement issued from the Municipality's billing system by which time payment of the amount on the statement is required
Indigent	A debtor whose whole household has been evaluated in terms of the Indigent Policy and who is registered as being indigent in terms of the Municipality's Indigent Policy
Investee	An institution or its Agent, with which an investment is placed.
Interest on overdue accounts	The amount charged on arrear accounts, which accounts are deemed to be in arrears in terms of this policy.
Indigent amount	The applicable value of the indigent subsidy as determined by the Council from time to time
Interest on overdue accounts	The amount charged on arrear accounts, which accounts are deemed to be in arrears in terms of this policy.
Local Municipality	Means a Municipality that shares municipal executive and legislative authority in its area with a district Municipality within whose area it falls, and which is described in section 155 (1) of the Constitution as a category B Municipality
MFMA	The Local Government enabling legislation: Municipal Finance Management Act, 56 of 2003.

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Term	Definition
Municipality	A Municipality referred to in section 155 (6) of the Constitution
Municipal Council or Council	Means a municipal council referred to in section 157 of the Constitution.
Payment	Any form of redemption towards the balance on an account whether by cash, payment at post office or electronic means (direct bank transfer)
Residential household	A customer who is classified and assessed for property rates as a property consisting of people occupying the property for residential purposes and not for business purposes
Sundry debt	Any debt other than for rates, housing, metered services, sewerage and refuse removal.
Supply	Any metered supply of water or electricity.
Tariff	An agreed charge to the consumer for services rendered.
Termination	The cut off of services by the municipality due to stipulated reasons by the municipality.

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2. PURPOSE

In order to sustain the local governance and continued service delivery, the collection of income levied on account statements submitted to debtors must be realised within a turnover rate shorter than 30 days. Payment of arrears must also be addressed sufficiently for the main categories of debtors in order to minimize arrear debtors.

3. What is Credit Control?

At a high level, credit control includes the following:

- Ensuring that all monies due and payable to the municipality are collected in a financially sustainable manner;
- Providing for a framework for customer care and indigent support;
- Describing credit control measures and sequence of events;
- Outlining debt collection and credit control procedures and mechanisms; and
- Setting realistic targets for credit control and debt collection.
- Providing for actions that may be taken by the Municipality to secure payment of accounts that are in arrears including and not limited to the termination or restriction of services and legal actions
- Providing for alternative debt repayment arrangements
- Creating an environment which enables a customer to repay the outstanding debt and establish culture of payment for services rendered by the Municipality.
- Effectively and efficiently dealing with defaulters in accordance with the terms and conditions of this procedure manual
- Providing for procedures and mechanisms to ensure that all monies due and payable to the Municipality are collected.

4. The Credit Control and Debt Collection Process

4.1 Application for new connection

Application for new connections can only be made by property owners accompanied by positive identification.

Applicants must complete the prescribed “Rendering of Consumer Agreement” forms in order to obtain a new connection. A new connection fee, determined in terms of the municipality’s current Rates and Tariff Policy is payable. All new applications will be evaluated. In certain cases, additional security from prospective consumers may be required.

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Applicants for Municipal services may be checked for credit worthiness, which may include checking information from banks, credit bureaus, other local authorities, trade creditors and employers. No account shall be opened on a property that is owing, unless there is a payment arrangement on the outstanding amount. The Council reserves the right to disconnect the services of tenant if the owners account is in arrears.

4.2 Billing

Consumers will receive monthly statement/s with an indicated payment due date. Monthly statements will be emailed or posted to the customer. The Municipality shall actively encourage the use of emails for delivery of Municipal accounts

The statement shall contain messages of events within the municipality from month to month. Consumers with disputes on their account/s must pay other services and an average of the disputed service/s. Ratepayers/consumers who have not received an account for a specific month, are advised to pay an average of the previous two months' accounts and to notify the Accountant: Revenue in order to ensure that correct postal details are on the system. It should be stressed that the non-receipt of an account does not exempt one from the liability of payment.

4.3 Estimated Consumption:

The municipality may levy an estimate of the consumption of water or electricity for any relevant period if:

- No meter reading could be obtained in respect of the period concerned; or
- No meter has been installed to measure the consumption on the premises concerned. No interest is payable in such an instance.

The customer concerned is liable for payment of the fee in terms of the municipality's approved tariffs for service delivery in respect of such estimated consumption

The municipality may, in accordance with the provision of section 102 of Systems Act consolidate any separate accounts of a customer liable for payments in terms of the By-laws of the municipality;

- Hold any amount paid by a customer, which is in excess of an existing debt, in credit for the customer in anticipation of future rates and fees for municipal services owing.
- Submit only one account for all municipal levies and services to the owner of such a property and to distinguish between various individual debtors or debtor types in this regard.

No interest will be payable on any deposit held or any credit amount including that contemplated in point 2 above.

4.4 Reminder/Demand for payment

A warning notice that the account has not been paid on the due date is generated after the due date and delivered to the debtor's physical address, e-mail address or postal address with conventional electricity meter. The Owner's/Debtor's/Consumer's attention is drawn to the note on the municipal account, which states that the supply of services will be discontinued/restricted in accordance with the Municipality's Credit Control policy if the accounts are not settled in full or acceptable arrangement is not made. This serves as a warning to a defaulting owner/debtor/consumer that services will be discontinued/ restricted upon defaulting on payments.

Notices, e-mails, cell phone text messages (SMS) or any available informative actions will however be issued to account holders as a first attempt (first notice) immediately after the due date as a means to recover debt and to remind consumers/debtors/owners of their obligation to pay for services.

The aim of such reminders is to get co-operation to settle accounts without the necessity to employ more drastic steps. It also offers the opportunity to make arrangements to pay off such debt where the financial position of a consumer is such that relief is possible as per criteria in the Municipality's Rates or Indigent Policies.

Once the customer is formally notified of the arrear account, they have 10 working days to settle the account or make an acceptable arrangement with the Municipality

Failure to respond to the notice as alluded to above will result in the disconnection and/or restriction of services.

The aim or arrangements with customers should be to ensure that the Municipality's Credit Control policy is enforced, and to ensure acceptable payment arrangements in line with the Policy. After an agreement is made with the debtor and the agreement is not paid monthly, no new agreement is concluded again.

Failure to respond in a manner stipulated above can lead to legal action may be instituted (with the Municipality's rights reserved, notwithstanding the fact that services were disconnected/restricted or not) to recover the full outstanding debt.)

In this regard the municipality may consolidate any separate accounts of a debtor, credit a payment by a debtor against any account of that debtor and implement any of the measures provided for in by the Municipality's Policies or the Credit Control and Debt Collection Bylaw in relation to any arrears of any of the accounts of such a debtor.

4.5 Arrangements

Should account holders/owners/debtors/consumers wish to make arrangements to pay off accounts in arrears, the following guidelines shall apply:

- The main aim of arrangements should be to enforce the Municipality's Credit Control Policy.
- The arrangement shall include a deposit of at least 25% of arrear accounts or a lower amount as determined by the Manager Income or Delegated Official.

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- Care must be taken to ensure that all reasonable financial and social assistance, as provided for in this Policy, is rendered to assist owners/debtors/consumers before drastic action is taken to recover debt e.g. subsidies for Free Basic Services and rebates on property tax.
- All arrangements must be accepted in writing.
- Arrangements must be entered into that are both affordable to the consumer and protect the Municipality's interest.
- Maximum pay off period for arrangements is 24 (twenty-four) months.
- Arrangements should be final and debtors will not be allowed to re-arrange debt repayments. The Municipality may for a meritorious case, upon presentation of proof of current difficulties, consider to delay the receipt of the arranged instalment. This delay may not exceed 3 months.
- It is of vital importance to ensure that the settlement of current accounts (which may include penalties/interest and/or any admin fees), together with the debt repayment instalment, is seen as the minimum requirement for any agreement.
- Arrangements must be compiled in a format that facilitates legal action, upon breach of contract. Written arrangements must as far as possible be in the form of agreements in terms of Section 57 of the Magistrate's Courts Act, (Act 32 of 1944) and as amended by the Jurisdiction of Regional Courts Amendment Act, (Act 32 of 2008) (hereinafter referred to the Section 57 Agreements).
- All debt arrangements will be correctly recorded, and supporting documentation filed. Debt repayment arrangements may also be logged on the computer system to ensure maximum accessibility and to enable the effective administration of such repayments.
- Arrears of Councilors and Municipal Employees must be settled in full or arrangements to pay off such amounts, by means of salary deductions, may be entered into. This includes the seizure of bonuses or any other additional allowances (this paragraph must be read in conjunction with the relevant Sections of the Systems Act, (Act 32 of 2000)).
- The Municipality is allowed to recover all arrears more than ninety days from municipal officials by means of salary deductions and proportionally from increases and/or the official's thirteenth cheque/performance bonus. In this regard, all temporary contract workers are also regarded as municipal officials.
- No interest will be levied on outstanding amounts for which arranged agreements have been entered into.
- Arrangements may only be concluded upon submission of the following documentation:
    - Proof of identification;
    - Any other documentation as may be requested by the Credit Control Section.

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4.6 Further actions

- Should arrangements not be made, or not be accepted or not be adhered to:
    - Services are discontinued or restricted; or
    - Pre-paid services are restricted.

  This can be done provided that a fair and equitable procedure, including reasonable notice of the intention to discontinue or limit is followed, as allowed for in the Credit Control Policy

  Where legislation does not allow for the complete termination of services, the Credit Control Section will determine the appropriate minimum level of service provision where after, all amounts owing become due and must be paid in full before services are restored to full capacity.
- Should amounts owed not be settled by the final date, i.e. after the date for payment set out in a final demand, such accounts and the relevant Section 57 Agreements, where applicable, will be handed over to the Municipality's Collection Attorneys for recovery and/or to consider instituting further legal action.
- The Municipality shall at its own discretion and without limiting the measures provided for in the Municipality's By-Laws, be entitled to withhold or limit the supply of services until the following that is due to the municipality has been paid in full:
    - The total costs,
    - Penalties,
    - Other fees,
    - Tariffs and rates

  This will include the restriction of supply of water or electricity to a debtor who is found guilty by the Municipality or any Court of Law:
    - Of fraud or theft of water and electricity, penalty must be paid immediately,
    - Any another criminal activity relating to the supply or unauthorised consumption of water and electricity, or
    - If it is evident that fraud, theft or any other criminal activity has occurred relating to such supply or consumption.
- The Municipality may consider an auxiliary levy on the purchase of pre-paid electricity to recover arrear debt.
- The Municipality may consider black-listing consumers in cases where the consumer was handed over to institute legal proceedings.

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4.7 The power to restrict or discontinue supply of municipal services

The Council or duly appointed agent may terminate and / or restrict the supply of water, electricity or in the case of pre-paid electricity a percentage of the selling of electricity. This can be done in terms of the prescribed disconnection procedures, or discontinue any other service to any premises associated with the customer, whenever a consumer of any service after the expiry of the period for payment in terms of the final demand/ final notice referred to in section:

- Fails to make full payment on the due date or fails to make acceptable arrangements for the repayment of any amount for municipal services, property rates or taxes or other amounts due in terms of this policy;
- No proof of registration as an indigent was furnished within the period provided for in the final demand / final notice referred to above;
- No payment was received in accordance with an agreement for payment of arrears;
- Fails to comply with a condition of supply imposed by the council;
- Obstructs the efficient supply of electricity, water, or any other municipal services to another customer;
- Supplies such municipal service to a consumer/owner who is not entitled thereto or permits such service to continue;
- Causes a situation, which in the opinion of the council is dangerous, or a contravention of relevant legislation;
- In any way bridges the supply or illegally reconnect previously disconnected municipal services;

The Council shall hand deliver, per mail or per electronic means available, to the physical address of property or most recent recorded address or electronic contact address and / or number of such customer, a discontinuation notice informing such consumer:

  - That the provision of the service will be, or has been discontinued on the date stated on the discontinuation notice;
  - Of the steps which can be taken to have the service reconnected;
  - Of the minimum amount payable to restore service.

The right of the Council or any duly appointed agent to restrict or discontinue water and electricity to any premises, owner of property, tenant on property, customer or occupant of property, shall be subject to the relevant legislature.

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4.8 Illegal reconnection/tampering of electricity

If consecutive follow-up actions due to no reaction by the debtor reveal that illegal consumption of the service occurred or a disconnection has been tampered with, the service connection is removed and evidence against offenders is filed on an investigation document.

A penalty as calculated by the Technical Department in consultation with the Finance Department is payable before services may be restored.

In the case of tampered meters or illegal connections by Indigents, subsidy will be cancelled immediately.

4.9 Illegal reconnection/tampering of water

The water disconnection/restriction is monitored and followed up in cases of absence of reaction by the debtor to ensure that an illegal reconnection has not occurred.

Interference with disconnections at water service points of non-residential consumers will lead to the removal of such a service connection. Where the services connection is removed, the consumer will be charges with costs of the action in terms of the council's tariff structure.

Any first time discovery of tampering with a restriction device or service connection at the address of a residential consumer leads to restriction of the water flow rate to. Any further tampering after such a restriction will lead to the prosecution of the offending debtor.

4.10 Consumers claiming wrongful cut off

Consumer who claims to have been wrongfully cut off should report such to the Municipality within two days, failure to do so, Municipality shall not be held responsible for any losses incurred by the consumer. Consumers who suffered losses due to wrongful disconnection should produce a proof of her/his losses to the Council so that an investigation can be undertaken.

4.11 Consumers buying water and electricity from prepaid vendors

For consumers who buy water and electricity from prepaid vendors, the municipality may deduct a percentage of the amount rendered to settle arrears, in line with the Credit Control Policy.

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5. Reinstatement of Municipality Services

5.1 Reinstatement of Services

The municipality must reinstate full levels of provision of any electricity or water service terminated or restricted after:

- The full amount of arrears has been paid, or
- An agreement for payment of the arrears contemplated has been entered into in terms of this Policy, or
- The full amount of arrears in respect of any agreement entered into, or any additional security required has been provided, and
- Any other condition of the Policy that the municipality may consider appropriate has been complied with.

5.2 Reconnection of services

Services can only be reconnected under the following circumstances:

- Water supply restricted for non-payment by clients, can only be normalized after either receipt of the amount in arrears or conclusion of a settlement arrangement for payment of the arrears in terms of this Policy.
- Water supply which has been restricted due to non-payment will only be normalized after either full payment of the arrears, or upon receipt of an appeal for normalization due to a good payment record of three (3) months on the repayment contract and the current monthly levies. The Chief Financial Officer will receive and evaluate each appeal before normalization.
- Electricity supply discontinued due to non-payment can only be reconnected after receipt of the amount in arrears or the conclusion of a settlement arrangement for payment of the arrears in terms of this Policy.
- Any services which are discontinued as a result of tampering with the Municipality's distribution networks and/or mechanisms can only be legally reconnected if a Court orders so.
- Reconnection or reinstatement of services will be done within 48 hours (excluding weekends).

6. Termination of Service Agreements

- A customer must terminate an agreement with the municipality for the provision of any municipal service by notice in writing (completing the relevant service discontinuation and account closure forms of the municipality) not less than seven working days before the time.

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- The municipality may, subject to compliance with the provisions of the relevant By-laws and any other applicable law, terminate the agreement for the provision of a municipal service to a customer, by notice in writing of not less than 14 working days, if the customer has:
    - Not used the municipal service during the preceding six months and has not made arrangement to the satisfaction of the municipality for the continuation of the relevant agreement; or
    - Vacated the premises to which the agreement concerned relates.

7. Free Basic Services

The municipality will provide free basic services to domestic debtors, on a monthly basis in quantities as determined from time to time in line with the Indigent Policy.

8. Indigent Assistance Scheme

Indigent support shall be implemented in line with the Municipality's Indigent Support Policy

9. Incentives

Incentives may be used in collection procedures and write-off policy as approved by council.

10. Debt collection

10.1 Debt Collection Procedure

Council may handover accounts that are 90 days and older in arrears after all internal processes has been exhausted and there is no positive respond.

Annual accounts: Should accounts remain unsettled three (3) months after it became due and payable, notice will be given to the owner/consumer that the amount owed should be settled within fourteen (14) days, failure of which it would be handed over for collection.

Should there be no reaction on the notices; accounts are forthwith handed over for collection, which may include legal proceedings.

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Upon handing over of accounts for collection, details of employers and work addresses of the debtors should be made available to the attorneys as far as possible for the purposes of garnishee orders. Attorneys should report to Council on a monthly basis on the progress made and the cost aspect regarding each debtor.

10.2 Legal process (use of attorneys/use of credit bureaus)

The Municipality may, when a debtor is in arrears, commence legal process against that debtor, which process could involve final demands, summonses, court trials, judgements, garnishee orders and, as last resort, sales in execution of property.

The Municipality will exercise strict control over this process to ensure accuracy and legality within it and will require regular reports on progress from staff responsible for the process or outside parties, be they attorneys or any other collection agents appointed by Council.

The Municipality will establish procedures and codes of conduct with such outside parties. In the case of employed debtors, garnishee orders, are preferred to sales in execution, but both are part of the Municipality's system of debt collection procedures.

All steps in the credit control procedure will be recorded for the Municipality's records and for the information of the debtor.

All costs of this process will be for the account of the debtor.

Individual debtor accounts are protected and are not the subject of public information. However, the Municipality may release debtor information to credit bureaus and the property owner in respect of his/her lessee(s). This release will be in writing or by electronic means and will be covered in the agreement with customers.

The Municipality may consider the cost effectiveness of the legal process, and will receive reports on relevant matters and report to the Executive Mayor.

If, after the due date an amount due for rates is unpaid by the owner of the property, the Municipality may recover the amount, in whole or in part, from the owner.

10.3 Cost of Collection

All costs of legal processes including interest, penalties, service discontinuation costs and legal costs associated with credit control and debt collection, where ever applicable, are for the account of the debtor and should reflect at least the cost of the particular action.

10.4 Clearance Certificate

In terms of section 118(3) of the Act an amount due for municipal service fees, surcharges on fees, property rates and other municipal taxes, levies and duties. The amount due is a charge upon the

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property in connection with which the amount is owing and enjoys preference over any mortgage bond registered against the property,

All payments will be allocated to the registered seller's municipal accounts and all refunds will be made to such seller unless advised otherwise.

No interest shall be paid in respect of these payments.

The Municipality will only issue a clearance certificate once a completed prescribed application form from the conveyor has been received.

Where any residential or non-residential debtor has entered into an arrangement with the Municipality in respect of the arrears on a property, the prescribed certificate as referred to in Section 118 of the Systems Act, will not be issued until such time as the full outstanding amount have been paid. Should the certificate be issued on payments for two months preceding the date of clearance, the outstanding balance will be due and against the property or any owner thereof with or without their knowledge on transfer.

Accordingly, all such municipal debts shall be payable by the owner of such property without prejudice to any claim which the municipality may have against any other person,

On application for clearance any arrangements, acknowledgement of debt shall be cancelled, and all debts on the property shall become due, owing and payable.

The payments of clearance certificate must be made in cash or by irrevocable bank guaranteed cheque, or attorney `s trust cheque, there shall be no refunds on cancellation of sale, and the certificate shall be valid for a period of 60 days from date of issue.

10.5 Irrecoverable Debt

Debt will only be considered as irrecoverable if it complies with the Municipality's write-off policy:

10.6 Abandonment of Claims

- The Municipal Manager must ensure that all avenues are utilised to collect the Municipality's debt.
- Outstanding debt that is not recoverable will be attempted to be written off. The Director of Finance will be authorized to the amount of R50 000.00 (fifty thousand) to approve a write-off. Amounts from R50 000.00 (fifty thousand) to R100 000.00 (one hundred thousand) will be authorized by the Municipal Manager to approve write-off. Amounts in excess of R100 000.00 (one hundred thousand) must be submitted to the Board for approval for authorization.
- There are some circumstances, as contemplated in section 109(2) of the Act, that allow for the valid termination of debt collection procedures, such as:-
    - The insolvency of the debtor, whose estate has insufficient funds.
    - A balance being too small to recover, for economic reasons considering the cost of recovery.

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- Indigents write off
- Where Council deems that a debtor or group of debtors are unable to pay for services rendered.
- Prisons for long period, longer than 24 months

- The Municipality will maintain audit trails in such an instance, and document the reasons for the abandonment of the action or claim in respect of the debt.

10.7 Revenue Recovery Methods

Where the letter of final demand and the termination of services yield no response and the account is outstanding for ninety (90) days and more may be handed over to external debt collectors and/or attorneys for collection.

10.7.1 In-house Collections

- This unit will deal with outstanding debts. This unit will also deal with all government accounts.
- A tariff in terms of the municipality's current Rates and Tariff Policy will be payable where such an action is taken.
- Where there is no response, the accounts will be handed over to external debt collectors and/or attorneys.

10.7.2 External Debt Collection with the assistance of an Attorney

Any amount outstanding for a period as determined by the CFO or Manager: Treasury may be handed over to The Municipality's official Debt Collection Agency for collection and to attend to matters that are defended.

10.7.3 Payment Terms and Interest Charged on Outstanding Accounts

- Normal Terms: All categories of consumers are required to effect payment of their rates and services accounts on or before the due date advised on account statements.
- Interest at the prime bank lending rate plus 1% is charged on all consumer accounts or portions of accounts which are not settled / paid on due date.

  NOTE: For this purpose, the prime bank-lending rate of the municipality's banker at the start of the financial year of the municipality will be applicable for the entire financial year. This means that the interest rate will be changed on the debtor system once prime rate.
- Payment/s or amount/s received will be allocated at the discretion of the Municipality against any amount owed to the Municipality.
- Accounts amount handed over will cease to attract interest.

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10.7.4 Debit Orders Returned

If any payment is made to the municipality by a negotiable instrument, and such negotiable instrument is dishonored, the municipality may levy costs and administration fees against the account of the defaulting customer at the prescribed rate. Council reserves the right to refuse any further negotiable instruments in such a case.

10.7.5 Arrangement and payment extension

Arrangement to pay arrear account balances will be considered for all accounts accordance with the Municipality's Credit Control Policy. This also applies to churches and non-profit organizations, with only actual service charges being billed.

An appropriate initial down payment of the arrear amount is payable on conclusion of the arrangement and is based on the Credit Control Policy:

Exceptional cases may be referred to the Manager: Treasury or CFO for consideration.

11. Credit Control and Debt Collection of Employee Accounts

Employees of the Municipality may be subject to disciplinary hearings, as per the Municipal Systems Act (No 32 of 2 000), Schedule 2 S10, if they are found to be in arrears for a period longer than 3 months.

Payment of arrear amounts by staff may be extended to a maximum of 24 months in exceptional circumstances in order to deal with previous accumulated arrears and within the prescripts of the Basic Conditions of Employment Act. Thereafter no further arrears may be accumulated.

In order to ensure timeous, assured payment of employee accounts, all employees residing within the Municipality shall be subject to an automatic deduction instituted against their salaries.

12. Credit Control and Debt Collection of Councillor Accounts

The Local Government Laws Amendment Act (No 51 of 2002) states that Municipal

Councilors may not be in arrears to the municipality for rates and services for a period longer than 3 months. In order to ensure timeous, assured payment of councilor accounts, all councilors shall be subject to an automatic deduction instituted against their councilor allowance payments on a monthly basis.

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13. Estates Accounts Collection

13.1 Estates with legal status

The accounts of debtors who are declared as insolvent or liquidated, under administration or deceased are dealt with according to normal legal practices by the collection staff of the municipality.

Unsuccessful claims in terms of liquidations and insolvents are recommended to Council for possible write off.

14. FINAL ACTION

Whenever all the legal avenues, procedures and steps listed above have been exhausted, the arrear amounts should be classified as irrecoverable and should be written off. The write off should be done by the person to whom the authority to do so has been delegated under the Municipality's system of delegations.

Income before after 30 June each year, or more regularly if requested by Council, the Manager Financial Services must present to the Council a report listing the following:

- For noting – details of the debts that was written off during the year ending 30 June under delegated authority, together with the reasons for the write offs; and
- For consideration – details of any debt, not included under (a) above, which is believed to be irrecoverable, together with the reasons for this conclusion.

The council shall then approve the write-off of such arrears, it if is satisfied with the reasons provided.

14.1 Bad Debts Recovered

The approval of Council for the write-off of any debt does not mean that actions to recover the money will be terminated. Further actions will be instituted depending on the costs involved and if debt is recovered it will be recorded in the financial records of Council as recovered.

15. Reporting

- The Chief Financial Officer shall report monthly to the Municipal Manager in a suitable format to enable the Municipal Manager to report to the Mayor as supervisory authority in terms of the Systems Act. This report shall contain particulars on: -
    - Cash collection statistics, showing high-level debt recovery information (number of consumers; enquiries; arrangements; default arrangements; growth or reduction of arrear debt).

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- Where possible, the statistics should ideally be divided into wards, business (commerce and industry), domestic, government, institutional and other such divisions.
- Performance of all areas against targets agreed to in section 4 of this policy document.

- If in the opinion of the Chief Financial Officer, Council will not achieve cash receipt income equivalent of the income projected in the annual budget as approved by Council, the Chief Financial Officer will report this with motivation to the Municipal Manager who may immediately move for a revision of the budget according to realistically realizable income levels.
- The Mayor as Supervisory Authority shall report quarterly to Council as contemplated in section 99(c) of the Systems Act.

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